GLOSSARY OF INVESTMENT TERMS
Excerpted from FINRA (Financial Industry Regulatory Authority), www.finra.org

annual report (10 K)	Public companies are required to file an annual report with the Securities and Exchange Commission detailing the preceding year's financial results and plans for the upcoming year. Its regulatory version is called "Form 10 K." The report contains financial information concerning a company's assets, liabilities, earnings, profits, and other year-end statistics. The annual report is also the most widely-read shareholder communication. (See Management's Discussion and Analysis)
arbitration	A method where conflict between two or more parties is resolved by impartial persons - arbitrators - who are knowledgeable in the areas in controversy. (See Mediation)
bear and bull markets	A bear market is one in which prices are low or declining; a bull market is one in which prices are high or rising.
bond	A long-term promissory note in which the issuer agrees to pay the owner the amount of the face value on a future date and to pay interest at a specified rate at regular intervals.
dealer	Any person or company in the business of buying and selling securities for his or her own account, through a broker or otherwise. (See Broker)
common stock	A class of securities representing ownership and control in a corporation and that may pay dividends as well as appreciate in value. (See Preferred Stock)
debenture	An unsecured bond backed solely by the general credit of a company.
derivative	A generic term often applied to a wide variety of financial instruments that derive their cash flows, and therefore their value, by reference to an underlying asset, reference rate, or index.
discretionary account	An account empowering a broker or adviser to buy and sell without the client's prior knowledge and consent.
dividend	Distributions to stockholders of cash or stock declared by the company's board of directors.
due diligence	A thorough investigation of a company that is preparing to go public, undertaken by the company's underwriter and accounting firm.
equity	The ownership interest of stockholders in a company. Also, the excess of the market value of securities over debit balances in a margin account. (See Margin)
excessive trading	A broker excessively trades an account for the purpose of increasing his or her commissions, rather than to further the customer's investment goals.

Financial Industry Regulatory Authority (FINRA)	The Financial Industry Regulatory Authority, known as FINRA, is the largest non-governmental regulator for all securities firms doing business with the United States public—more than 5,000 firms employing more than 660,000 registered representatives. FINRA was created in 2007 through the consolidation of NASD and NYSE Member Regulation.
individual investor	A person who buys or sells securities for his or her own account. The individual investor is also called a retail investor or retail shareholder.
initial public offering (IPO)	A company's first sale of stock to the public. Companies making an IPO are seeking outside equity capital and a public market for their stock.
institutional investor	A bank, mutual fund, pension fund, or other corporate entity that trades securities in large volumes.
issuer	A corporation that has distributed to the public securities registered with the Securities and Exchange Commission.
limit order	An order to buy or sell a security at a customer-specified price; a customer order to buy or sell a specified number of shares of a security at a specific price. (See Stop-Loss Order)
management's discussion and analysis (MD&A)	An interpretive section of a prospectus and annual report, also called the Financial Review.

margin	An account in which a customer purchases securities on credit extended by a broker-dealer. Rules of the Federal Reserve Board and FINRA govern margin accounts.
markdown and markup	A markdown is a charge subtracted from the selling price of a security that a customer is selling to a dealer-broker for the broker's-dealer own account. The broker-dealer adds a markup to the price when it sells a security to a customer from its own account. The markdown or markup are the equivalent of a commission on the sale.
market capitalization	The price of a stock multiplied by the total number of shares outstanding. Also, the market's total valuation of a public company.
market order	An order to buy or sell a stated amount of a security at the best possible price at the time the order is received in the marketplace.
market surveillance	A highly automated, centralized process of investigating and preventing abusive, manipulative, or illegal trading practices in The Nasdaq Stock Market. The Market Surveillance Department is called Market Regulation.
market value	The market value of a security is the last-sale price multiplied by total shares outstanding. It is calculated throughout the trading day, and is related to the total value of the index.
mediation	An informal, voluntary process used in securities industry disputes in which a mediator helps negotiate a mutually-acceptable resolution between disputing parties. Unlike arbitration or litigation, mediation does not impose a solution. If the parties cannot negotiate an acceptable settlement, they may still arbitrate or litigate their dispute.

(See Arbitration)

mutual fund A pool of money invested by an investment company in a number of securities like stocks, bonds, or government securities. Each mutual fund is different in its make-up and philosophy. Because most mutual funds invest in a large number of securities, they offer investors the benefit of diversification, which can help reduce market risk.

Nasdaq CompositeSM Index A statistical measure that indicates changes in The Nasdaq Stock Market. The Nasdaq Composite Index measures all Nasdaq domestic and foreign common stocks. It is market-value weighted: each company's security affects the index in proportion to its market value. Securities in the Nasdaq Composite Index generally are assigned to subindexes based on their Standard Industrial Classification (SIC) codes. (See Market Value)

Nasdaq National Market® More than 3,900 companies that are the larger and generally more actively-traded Nasdaq securities.

North American Securities Administrators Association, Inc.(NASAA) An association of securities commissioners from each of the 50 states, the District of Columbia, Puerto Rico, and several of the Canadian provinces.

open order An order to buy or sell a security that remains in effect until it is either canceled by the customer or executed.

option An instrument that gives the owner the right to buy or sell a specified number of shares of a specified stock at a specified price within a specified period of time. A call option allows the buyer to purchase the underlying stock at any time up to the expiration date of the contract. A put option allows the buyer to sell the underlying stock at any time up to the expiration date of the contract.

over-the-counter (OTC) securities Securities that are not listed and traded on an organized exchange.

pink sheets Daily printed listings containing quotations for thousands of over-the-counter stocks that are not listed on any of the major stock markets. These quotations are entered by dealers acting as Market Makers in the individual securities. The pink sheets are printed by the National Quotation Bureau.

portfolio The combined holding of more than one stock, bond, commodity, real estate investment, or other asset by an individual or institutional investor.

preferred stock A security that usually pays a fixed dividend and that gives the holder a claim on corporate earnings and assets that is superior to that of holders of common stock. (See Common Stock)

previous day's close The previous trading day's last reported trade.

price/earnings ratio The price of a share of a stock divided by earnings per share, usually calculated using the latest year's earnings. The p/e ratio

	is also called the multiple.
prospectus	A formal written offer to sell securities that sets forth the plan for a proposed business enterprise, or the facts concerning an existing one that an investor needs to make an informed decision.
proxy	Written power of attorney given by a shareholder of a corporation, authorizing someone to vote on his or her behalf at corporate meetings.
proxy statement	Material information required by the Securities and Exchange Commission to be given to a corporations stockholders as a prerequisite to solicitation of votes. It is required for any issuer subject to the provisions of the Securities Exchange Act of 1934.
quarterly report (Form 10 Q)	A report, required by the SEC of publicly-held companies, filed quarterly, that provides unaudited financial information and other selected material.
real-time trade reporting	A requirement that Market Makers report each trade in a Nasdaq security to Nasdaq within 90 seconds of execution.
record date	The date on which a company's records are closed to determine which stockholders are to be sent dividends, proxies, rights, etc.
registered representative	The employee of a FINRA firm who gives advice on which securities to buy and sell, and who collects a percentage of the commission income he or she generates.
secondary market	Markets where securities are bought and sold subsequent to original issuance.
Securities Investor Protection Corporation (SIPC)	A nonprofit corporation that insures investors against the failure of brokerage houses, similar to the way that the Federal Deposit Insurance Corp. insures bank deposits. Coverage is limited to a maximum of $500,000 per account, but only up to $100,000 in cash. SIPC does not insure against market risk.
securities analyst	An individual who does investment research and makes recommendations to buy, sell, or hold. Most analysts specialize in a single industry or business sector.
Securities and Exchange Commission (SEC)	The federal agency created by the Securities Exchange Act of 1934 to administer that act and the Securities Act of 1933. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against fraudulent and manipulative practices in the securities markets. Generally, most issues of securities offered in interstate commerce or through the mails must be registered with the SEC.
securities exchange	A physical facility in which buyers and sellers of securities, or their agents, meet to effect transactions.
self-regulatory organization (SRO)	An entity, such as FINRA, responsible for regulating its members through the adoption and enforcement of rules and regulations governing the business conduct of its members.

split	The division of outstanding shares of a corporation into a larger number of shares. For example: in a 3-for-1 split, each holder of 100 shares before would have 300 shares, although the proportionate equity in the company would remain the same. A reverse split occurs when the company reduces the total number of outstanding shares, but each share is worth more.
stock	An instrument that signifies an ownership position in a corporation.
stock symbol	A unique four- or five-letter symbol assigned to a Nasdaq security that is used for identifying it on stock tickers, in newspapers, on on-line services, and in automated information retrieval systems. If a fifth letter appears, it identifies the issue as other than a single issue of common or capital stock.
stop-loss order	A customer order to a broker that sets the sell price of a stock below the current market price, therefore protecting profits that have already been made or preventing further losses if the stock drops. (See Limit Order)
suitability	A suitability violation occurs when and investment made by a broker is inconsistent with the investor's objectives, and the broker knows or should know the investment is inappropriate.
unauthorized trading	The purchase, sale or trade of securities in an investor's account without the investor's prior authorization.
volatility	The degree of price fluctuation for a given asset, rate, or index. Usually expressed as a variance or standard deviation.
volume	Amount of trading activity, expressed in shares or dollars, experienced by a single security or the entire market within a specified period, usually daily, monthly, or annually.
warrant	A certificate issued by a company giving the holder the right to purchase securities at a stipulated price within specific time limits or with no expiration date (perpetual warrant). A warrant is sometimes offered by a company as an inducement to buy.
wrap fee	Charge for an investment program that bundles or "wraps" a number of services (brokerage, advisory, research, consulting, management, etc.) together and covers them with a single fee based on the value of assets under management.